AQA

Please write clearly in block capitals.

Centre number | | | | | | Candidate number | | | | |

Surname _____

Forename(s) _____

Candidate signature _____
I declare this is my own work.

A-level
ACCOUNTING

Paper 1 Financial Accounting

Time allowed: 3 hours

Materials
For this paper you must have:
- a calculator.

Instructions
- Use black ink or black ball-point pen.
- Fill in the boxes at the top of this page.
- Answer **all** questions.
- You must answer the questions in the spaces provided. Do not write outside the box around each page or on blank pages.
- If you need extra space for your answer(s), use the lined pages at the end of this book. Write the question number against your answer(s).
- Do all rough work in this answer book. Cross through any work you do not want to be marked.

Information
- The marks for each question are shown in brackets.
- The maximum mark for this paper is 120.

For Examiner's Use	
Section	Mark
A	
B	
C	
TOTAL	

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Section A

Answer **all** questions in this section.

Only **one** answer per question is allowed.

For each question completely fill in the circle alongside the appropriate answer.

CORRECT METHOD ⬬ WRONG METHODS

If you want to change your answer you must cross out your original answer as shown.

If you wish to return to an answer previously crossed out, ring the answer you now wish to select as shown.

0 1 **Statement 1**: An accountant is the only person who can complete the double entry book-keeping.

Statement 2: If an accountant completes the financial statements for a business, they will be error free.

Which of the following is correct?

[1 mark]

A Only statement 1 is true. ⬭

B Only statement 2 is true. ⬭

C Statements 1 and 2 are both true. ⬭

D Neither statement is true. ⬭

0 2 Which definition best describes the accruals concept?

[1 mark]

A Income and expenditure are matched to the period they belong to. ⬭

B Income and expenditure are spread evenly across each year. ⬭

C Only income is matched to the period it belongs to. ⬭

D Only income is spread evenly across each year. ⬭

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0 3 Which is the correct formula for the liquid capital ratio?

[1 mark]

A $\frac{\text{Current assets}}{\text{Current liabilities}} \times 100$ ⬭

B $\frac{\text{Current assets}}{\text{Current liabilities}}$ ⬭

C $\frac{\text{Current assets} - \text{closing inventory}}{\text{Current liabilities}} \times 100$ ⬭

D $\frac{\text{Current assets} - \text{closing inventory}}{\text{Current liabilities}}$ ⬭

0 4 Which of the following correctly lists items to be shown in a partnership appropriation account?

[1 mark]

A Drawings, interest on capital, partner salaries ⬭

B Drawings, interest on capital, capital introduced ⬭

C Interest on drawings, partner salaries, share of residual profits ⬭

D Interest on drawings, capital introduced, share of residual profits ⬭

Turn over for the next question

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0 5 A business had the following expenditure.

	£
Annual maintenance contract	900
Actual cost of machinery	14 000
Delivery cost	400
Installation cost	2 500

What is the total capital expenditure?

[1 mark]

A £14 000 ⬭

B £16 500 ⬭

C £16 900 ⬭

D £17 800 ⬭

0 6 A purchases ledger control account showed the following for April 2022.

Details	**£**
Balance owed to suppliers on 30 April 2022	1 600
Credit purchases	14 200
Discounts received	250
Payment to credit suppliers	13 915
Returns outwards	314

What was the balance on the purchases ledger control account on 1 April 2022?

[1 mark]

A £1 321 ⬭

B £1 379 ⬭

C £1 879 ⬭

D £2 449 ⬭

Do not write outside the box

0 7 The following information is available with regards to the sale of a vehicle.

	£
Vehicle original cost	22 000
Vehicle – provision for depreciation	9 625
Disposal proceeds	12 900

What is the income statement entry in the disposal account for this transaction?

[1 mark]

A £525 Cr ⬭

B £525 Dr ⬭

C £9 100 Cr ⬭

D £9 100 Dr ⬭

0 8 Alex, Maxine and Sergio were in a partnership with profits shared on a 6:3:1 basis respectively. Alex decided to leave the partnership, fully withdrawing his investment.

The following balances were available.

	£
Capital account – Alex	32 000 Cr
Current account – Alex	3 200 Dr
Increase in value of non-current assets	15 000

What payment would Alex receive from the partnership?

[1 mark]

A £13 800 ⬭

B £19 800 ⬭

C £37 800 ⬭

D £43 800 ⬭

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0 9 Su believes an employee has stolen cash from her business. She provides the following information.

	£
Cash at 1 March 2022	635
Cash at 31 March 2022	540
Cash takings	18 000
Cash banked	17 850

What is the amount of cash stolen?

[1 mark]

A £55 ⬭

B £150 ⬭

C £245 ⬭

D £485 ⬭

1 0 Which error would be the most likely to be prevented by the use of accounting software?

[1 mark]

A Commission ⬭

B Partial omission ⬭

C Principle ⬭

D Reversal ⬭

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1 1 Explain **two** advantages of using a bank overdraft as a source of finance for a business.

[6 marks]

Advantage 1 _____

_____

_____

_____

_____

_____

Advantage 2 _____

_____

_____

_____

_____

_____

Turn over for the next question

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1 2

The book-keeper of Halpine is preparing the accounts for the year ended 31 March 2022. The rent receivable account for a flat rented out is still to be completed.

The following information was provided.

	£
Rent receivable owed to Halpine on 1 April 2021	860
Rent receivable paid into the bank during the year ended 31 March 2022	13 900
Rent receivable refunded by Halpine	500

Additional information

Included in the rent receivable paid into the bank was £2 730 which covered the three months ending 31 May 2022.

Prepare the rent receivable account for the year ended 31 March 2022. Show clearly the amount to be transferred to the income statement and the balance brought down on the 1 April 2022.

[5 marks]

Rent receivable

Dr **Cr**

Details	Amount £	Details	Amount £

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Turn over for the next question

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1 3

Ross is completing his draft trial balance, which does not balance. A suspense account is opened and the following errors are discovered:

1. Rent payable of £7 600 had been correctly entered in the bank account but credited to the rent payable account.
2. Discount received of £2 400 had been correctly entered in the receivables ledger account but omitted from the discount received account.
3. Drawings of £3 500 had been correctly entered in the bank account but credited to the wages account.

1 3 . 1 Prepare Ross's suspense account to correct the errors, clearly showing the opening balance.

[5 marks]

Suspense

Dr **Cr**

Details	Amount £	Details	Amount £

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1 3 . 2 Ross had calculated his draft profit to be £86 454 before noticing the errors.

Calculate the revised profit figure, taking into account any adjustments required for correcting the above errors.

	£
Draft profit	86 454
Error 1	
Error 2	
Error 3	
Revised profit	

[4 marks]

30

Turn over for the next section

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Section B

Answer **all** questions in this section.

1 4 Grussell plc has provided statements of financial position for the last two years. These are both shown below.

Grussell plc
Statement of financial position

	31 March 2022			31 March 2021		
	£ Cost	£ Accumulated depreciation	£ Net book value	£ Cost	£ Accumulated depreciation	£ Net book value
Non-current assets						
Property plant and equipment	1 075 000	408 485	666 515	820 000	339 930	480 070
Current assets						
Inventory		36 345			38 567	
Trade receivables		27 234			25 346	
Cash and cash equivalents		1 500			28 900	
			65 079			92 813
Total assets			731 594			572 883
Equity						
Issued share capital of 50p shares		400 000			300 000	
Share premium		103 000			72 000	
Retained earnings		122 030			111 597	
Total equity			625 030			483 597
Non-current liabilities						
6% debenture (2027)			90 000			70 000
Current liabilities						
Trade payables		14 064			17 486	
Tax payable		2 500			1 800	
			16 564			19 286
Total equity and liabilities			731 594			572 883

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Additional information

1. Taxation for the year was £6 534.
2. Dividends paid during the year were £24 000.
3. A second debenture was taken out on 1 November 2021.
4. A non-current asset which originally cost £62 000 with a net book value of £35 000 was sold for £39 500.

1 4 . 1 Prepare a reconciliation of operating profit to net cash flow from operating activities for the year ended 31 March 2022 to comply with IAS 7.
A full statement of cash flows is **not** required.

[14 marks]

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1 4 . 2 The Managing Director of Grussell plc has asked the Finance Director about why the company needs to prepare the statement of cash flows. The Managing Director feels that preparing this statement is a waste of resources and that the information produced is confusing.

Assess the Managing Director's opinion.

[6 marks]

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1 5

Paulo is a sole trader, trading as Cluedo Coffee. A trial balance has been extracted from his books of account and is shown below.

Trial balance of Cluedo Coffee at 31 March 2022

	Dr	Cr
	£	£
Bank balance	22 456	
Drawings	17 345	
Capital at 1 April 2021		103 907
General expenses	15 043	
Inventory at 1 April 2021	16 276	
8% loan		50 000
Loan interest paid	2 000	
Premises at cost	120 000	
Premises – provision for depreciation at 1 April 2021		16 800
Purchases and revenue	43 451	102 564
Rent payable and rent receivable	9 600	3 100
Trade receivables and payables	1 500	8 300
Vehicles at cost	83 000	
Vehicles – provision for depreciation at 1 April 2021		46 000
	330 671	330 671

Additional information

1. Inventory at 31 March 2022 was valued at £12 304.
2. Goods returned to a supplier had been included in the purchases and trade payables at the purchase price of £4 200.
3. The proceeds from the sale of a vehicle were recorded incorrectly as revenue rather than as a disposal of a non-current asset. No other entries for the disposal of the vehicle had been recorded in the accounts. The vehicle was sold for £6 000 more than the net book value of £22 000. The vehicle cost £49 500 when it was originally purchased.
4. Depreciation of vehicles is to be charged using the reducing balance method at a rate of 33 1/3% per annum. A full year's depreciation is charged in the year of purchase and none in the year of disposal.
5. Depreciation of premises is to be charged using the straight-line method at a rate of 2% per annum.
6. The loan was taken out on 1 April 2021.

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1 5 . 1 Prepare an income statement for Cluedo Coffee for the year ended 31 March 2022.

[14 marks]

Cluedo Coffee

Income statement for the year ended 31 March 2022

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Workings

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Question 15 continues on the next page

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1 5 . 2 Cluedo Coffee's revenue has grown each year by an average of 10% and Paulo believes the business is achieving good levels of profitability. However, his accountant has looked at the income statement and trial balance and disagrees with Paulo.

Assess whether Paulo is correct in his assumption about the profitability of Cluedo Coffee.

[6 marks]

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Section C

Answer **all** questions in this section.

1 6

Otmar is a sole trader and owns a small manufacturing business which makes designer leather shoes. The business has grown quickly and has recently been unable to keep up with customer demand due to a shortage of skilled labour. Otmar thinks it is time to purchase some new machinery to help speed up production and enable the business to complete more orders. This could boost profitability by at least 25%. The cost of the machinery is significant at £25 000 and the company is unlikely to secure further external funding as the business regularly uses an overdraft.

Otmar provides the following financial information.

	£
Capital at 31 May 2022	35 000
Average monthly profit	3 500
Monthly drawings	2 500

Otmar believes he needs to bring a partner into the business ownership in order to inject funds into the business. He is considering the following two options.

1. Kimmi

Otmar employs Kimmi as the production manager. Kimmi has suggested on a number of occasions that she should become a partner. Kimmi has good ideas, knows every part of the production process and trains all the staff to a high standard. The staff have a strong working relationship with Kimmi. Otmar worries about their loyalty if Kimmi ever left.

Otmar and Kimmi would have a formal partnership agreement and share profits on a 2:1 ratio respectively. Kimmi's current salary of £31 000 would reduce to £25 000 and Otmar would have a salary of £28 500 per annum. Kimmi would invest all her savings of £20 000 into the business. Otmar would put a further £5 000 into the business from his own funds.

2. Priya

Priya, an old friend of Otmar, contacted him to suggest she is willing to invest in the business. Priya has recently sold her own very successful footwear business. She has no interest in getting involved in the day-to-day running of another business at the moment. Priya wishes simply to receive her share of any profits. This should leave Otmar to run the business without interference. Priya could access funds of up to £100 000 to invest in the business.

There would be no formal partnership agreement. Priya would invest £90 000 into the business.

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1 6 Evaluate which of the two options Otmar should choose. Justify your answer.

Consider **both** financial and non-financial factors.

[25 marks]

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1 7

Donna has retired and received a lump sum of £50 000 which she wishes to invest in shares. She needs a return from this investment to help fund her retirement.

She has researched companies of which she already had knowledge as a customer. She has two companies as her preferred choice. Donna has provided you with the following information based on the last three years' trading for each company.

Extract of financial information:

	Pik plc			**Barnard plc**		
	2022	**2021**	**2020**	**2022**	**2021**	**2020**
Earnings per share	12p	16p	14p	16p	9p	5p
Dividend cover	2.4 times	2.4 times	6.7 times	7.3 times	5.3 times	5.6 times
Market price per share at year end	200p	220p	140p	140p	125p	60p
Dividend yield	2.5%	3.0%	1.5%	1.6%	1.4%	1.5%

Pik plc is a social media company which owns a number of popular websites and apps. It has been trading for nine years and has very little debt. The company has a small head office since most of its staff work from home, which keeps costs to a minimum. Pik plc sells adverts on its websites and apps. There have been rumours that it tracks the data of its users and sells this to advertisers, which would breach data protection laws. This has created some concerns about its ethical stance as a company, particularly as many teenagers use the sites. The government has the ability to issue multi-million-pound fines for companies found guilty of breaching these rules.

Barnard plc is a supermarket chain. It is an established company which has been trading for around 50 years. Barnard plc has supermarkets in most major UK cities. It owns a large amount of land in key locations around the country. Most of its stores are owned by Barnard plc although there are a large number of mortgages secured on these properties. It sources as many Fairtrade products as possible and has a policy of dealing with suppliers and other stakeholders who behave ethically.

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1 7 Evaluate **both** businesses from Donna's perspective as a potential investor. Make a recommendation on how she should invest her savings.

Consider **both** financial and non-financial factors.

[25 marks]

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END OF QUESTIONS

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